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### REMARKS/ARGUMENTS

The amendments above and the remarks below are in response to the Office Action mailed on June 24, 2004. In the Office Action, Claims 1-5 were rejected under 35 U.S.C. §112. Claims 6-11 were rejected under 35 U.S.C. §101 for being directed to non-statutory subject matter. Claims 1-11 were rejected under 35 U.S.C. §103(a) over combinations of U.S. Patent No. 5,136,501 to Silverman et al. ("Silverman"), U.S. Patent No. 6,012,046 to Lupien et al. ("Lupien") and the Parity Trademark History ("Parity").

#### **35 U.S.C. §112**

Claims 1-5 were objected to under 35 U.S.C. §112, second paragraph, due to the phrase "determine an auction price based on the prices of the received order." The objection was followed by a suggestion that the phrase "determines an auction price based on the price of the received order." However, it should be noted that the auction price is based on the prices of the received orders, where there are a plurality of prices due to the price associated with each of the plurality of orders. For antecedent basis, the plurality of orders are originally referred to in the first element of Claim 1, "that receive orders for financial instruments from respective said traders, wherein said orders comprise a price, a quantity, and an action." Claim 1 has been amended to recite "received orders" to clarify that there are multiple orders each with at least a price. With respect to the rejection of Claim 2, the term "transition confirmation" has been changed to "transaction confirmation" as suggested by the Examiner. As a result, the rejections of Claims 1-5 under 35 U.S.C. §112, second paragraph, have been overcome.

#### **35 U.S.C. §101**

Claims 6-11 were rejected under 35 U.S.C. §101 because the method claims do not "claim a technological basis in the pre-amble and the body of the claim." In particular, it was alleged that Claims 6-11 involve "no more than a manipulation of an abstract idea and [are] therefore non-statutory under 35 U.S.C. §101." The applicant respectfully disagrees. Each of Claims 6-11 of the present application describes a system

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or method having a "useful, concrete and tangible result," as per the Federal Circuit's interpretation of the requirements of 35 U.S.C. §101. *See State Street Bank & Trust Co. v. Signature Financial*, 149 F.3d 1368 at 1372 (Fed. Cir. 1998). For example, Claim 6 includes receiving orders for a financial instrument, calculating an auction price, and matching orders, all of which result in a financial transaction where ownership of the financial instrument changes hands, i.e., a real-world result.

However, in order to expedite allowance of the Claims 6-11, independent Claim 6 has been amended to recite a computer implemented method wherein at least a portion of one of receiving orders, calculating the auction price and matching the orders is computer implemented. Applicant, however, reserves the right to dispute the rejection under 35 U.S.C. §101 and therefore the above amendment should be made without prejudice.

35 U.S.C. §103(a)

*Silverman*

Silverman generally discloses a central system 20 that validates transaction requests, processes bids, offers, hits or takes according to rules of the market and attempts to find matches between entries and offers and bids posted on a system book, subject to gross counterparty credit limits, as described at column 7, lines 5-10. To accomplish this, key stations 24a submit bid transactions to the central system via a network 22, as shown in Figure 1 of Silverman. Bids are broadcasted via a broadcast message 34 throughout the system to client sites 26a, 26b for access both other key stations 24b. Offers 51 are received from the key stations 24b in response to the bids, as is shown in Figure 2 of Silverman.

In one aspect, Silverman includes an auction market that holds only the highest quote and gives priority to the most recent highest quote. "When an entry is worse than the current best entry, it is preferably rejected from the market. When an entry equals the current best entry, it is preferably accepted into the market and is positioned as the last entry in time order in the appropriate sub-book, such as shown in FIG. 15 by way of example." *See Silverman*, column 17, lines 10-14. The auction market depth is only one,

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i.e., the best bid or offer, so matches occur when the best bid value is equal to the best offer value. See Silverman, column 17, lines 31-36 and 41-44.

*Parity*

Parity discloses a system for facilitating bond sales using telecommunications technology and a computer wherein purchasers place bids including interest rates and dollar prices for each maturity offered. See Parity, page 4, last paragraph. Bids are ranked first on yield, second on amount per maturity and third on the time received, with earlier bids receiving priority. The names of bidders are disguised and participants are allowed to enter and delete bids as desired until the sale ends. However, deletions are only allowed if a more aggressive replacement bid is being entered. See Parity, page 5, first paragraph.

Parity describes its auction as being "somewhat like" a "Dutch Auction." Bids are ranked on interest rate yield from the lowest to the highest for each maturity and the lowest yield which clears the maturity amount becomes the clearing yield. See Parity, page 5, second paragraph. Bids are matched in the aforementioned order, with the highest yields being matched first, the largest volumes second and the earliest bids third. In the event that the last accepted bid is larger than the amount required to reach the total maturity amount, the last bid is partially filled. See Parity, page 5, last paragraph.

*Lupien*

Lupien discloses a system wherein a formerly large, relatively static portfolio is manipulated (i.e., securities therein are sold and other securities are purchased) to take on risk in order to earn additional profits from spreads between offered prices and normal prices. For instance, Lupien's system calculates a "normal price" which is, "an estimate made of a security's current price and is calculated as an exponentially weighted average of recent trades and/or quotations adjusted for overall market movement." See Lupien, column 9, lines 61-65. When the currently traded price is below the normal price, the securities can be purchased. Conversely, when the normal price is below the currently traded price, the securities can be sold. Ostensibly, this type of arbitrage will allow

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"incremental profits" to be gained on the sales, as described at column 4, lines 1-9 of Lupien.

Lupien also discloses a "crossing network" where overlapping bid and ask prices are matched with priority being given to buyers and sellers in order of price. See Lupien, column 2, lines 58-61.

#### *The Claimed Invention*

As described in independent Claims 1 and 6, the present invention includes a system or method for performing auctions of financial instruments wherein 1) orders for financial instruments and credit preferences are received from traders, the orders including a price, a quantity and an action; 2) an auction price is calculated based on the prices associated with the orders; and 3) at least a portion of each of the orders are matched based on the credit preferences and a price at or better than the auction price.

As an example of matching at least a portion of each of the orders at or better than the auction price, the present invention in one embodiment describes setting the auction price to the price at which the most volume is traded, matching the orders in order of price and then distributing the remaining shares to the orders at the auction price in a pro-rata distribution.

The auction price is calculated by finding the price at which the most volume is traded. This condition is sufficient to generate a fair price, and all transactions should be completed at this price. It is noted that this price is generated without taking credit into account. The matching of orders is completed to ensure that credit preferences (including complex rules) are safe guarded and to ensure that the minimum number of tickets are generated. The better submitted prices will have priority, and all orders at the auction-price are filled in proportion to each other. Under these constraints, the auction mechanism 34 executes the auction, matching users and generating a settlement list. The settlement list comprises the trades resulting from the auction. See page 68, lines 13-18 of the present application (emphasis added).

Notably, because no priority is shown to the orders at the auction price and the orders are filled in proportion to their requested volume, every order at the auction price will be at least partially filled. Without at least a portion of all orders at or better than the auction

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price being matched, some traders would be left out of the auction even though they had bid at the auction price.

*The Cited References, Alone or in Combination, Do Not Disclose or Suggest the Claimed Invention*

Silverman discloses an electronic system for matching bids and offers wherein the bids and offers are screened for credit eligibility. *See, e.g., Silverman, column 7, lines 5-10.* Silverman also discloses matching based on an auction process, however the matches are based on a best-bid format wherein only the best bids (or offers) are matched. Restated, matches occur only between the best bid and the best offer when they have an exact price match. *See Silverman, column 17, lines 31-43.* Therefore, the Silverman auction process is distinctly different from the auction process claimed herein, wherein prices and quantities of the orders are taken into consideration to determine an auction price, and wherein all orders at or better than the auction price are matched. Therefore, Silverman does not disclose or suggest matching bids or offers below the best price, or calculating an auction price that is less than the best price and matching orders better than the calculated auction price.

Parity discloses an auction format wherein bids, including a maturity and interest rate yield, are recorded and used to calculate a clearing yield. The clearing yield is set at the lowest yield that clears the maturity amount. *See Parity, page 5, second paragraph.* Matching then occurs with the lowest yield bids being filled first until the yield reaches bids equaling the clearing yield. Then, the highest volumes are filled first until the lowest volume orders are reached. Then, the earliest bids are filled until the last entered bid with the lowest volume meeting the clearing yield is reached. The last accepted bid is then only partially filled. *See Parity, page 5, last paragraph.*

Notably, despite Parity's assertion that the last accepted bid is filled, in cases where a large volume of bids are at the clearing yield, bids that meet the clearing yield might go completely unfilled by the system of Parity. This would occur, for instance, when the bid with the highest volume or earliest time entry that matches the clearing yield has a volume greater than the remaining outstanding volume of the bonds available

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Claims 12 and 13 have been added further describing matching orders at the auction price with a pro rata distribution.

PTO Form 1449

It is noted that an initialed copy of the PTO Form 1449 that was submitted with Applicants' Information Disclosure Statement filed June 28, 2004 has not been returned to Applicants' representative with the Office Action. Accordingly, it is requested that an initialed copy of the Form 1449 be forwarded to the undersigned with the next communication from the PTO. In order to facilitate review of the references by the Examiner, a copy of the Information Disclosure Statement and the Form 1449 are attached hereto. Copies of the cited references were provided at the time of filing the original Information Disclosure Statement, and, therefore, no additional copies of the references are submitted herewith. Applicants will be pleased to provide additional copies of the references upon the Examiner's request if it proves difficult to locate the original references.

Conclusion

In view of the remarks and amendments presented above, it is respectfully submitted that claims of the present application are in condition for allowance. It is respectfully requested that a Notice of Allowance be issued in due course. The Examiner is requested to contact Applicants' undersigned attorney to resolve any remaining issues in order to expedite examination of the present application.

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at the auction maturity date. The remaining bids at the auction price would have no remaining volume for allocation to the remaining bids.

Therefore, despite Parity's assertion that the last bid is partially filled, it is possible that one or more bids will go unfilled by Parity's system. In contrast, in accordance with the present invention as recited in the claims, at least a portion of each of the orders at and above the auction price will be matched for filling. The present invention, therefore, ensures that no traders are entirely left out of the auction process by a pro rata distribution to bids or offers at the auction price. Parity does not disclose or suggest that it would be desirable, or possible, to ensure that all bids at the clearing yield are at least partially filled, such as by using a pro rata distribution.

Lupien discloses the ranking of bids and offers on exchanges with priority based on price, but does not disclose or suggest an auction model that includes setting an auction price and then matching at least a portion of all the orders at and above the auction price.

One of skill in the art would not be motivated to combine Silverman with Parity and/or Lupien. Silverman teaches that bids less than the best bid, such as bids that match the auction price but are lower than other bids, are "preferably rejected from the market." See Silverman, column 17, lines 10-14. Silverman, therefore, actually teaches against ensuring that at least a portion of all bids above an auction price are matched. Similar to Silverman, Parity and Lupien teach in the direction of fully filling bids or offers based on price (See Lupien, column 2, lines 58-61) or on price, then volume, then time (See Parity, page 5, last paragraph), both of which could leave some bidders with an offer better than an auction price with no volume matched or filled. Therefore, even if Silverman were combined with Parity and Lupien, the combination would still fail to teach or suggest setting an auction price and then matching at least a portion of all the orders at and above the auction price.

As a result, independent Claims 1 and 6 of the present invention should be allowable over Silverman, Parity and Lupien alone and in combination. In addition, Claims 2-5 and 7-11 depend from, and further patentably distinguish, Claims 1 or 6. As a result, the rejections of Claims 1-11 under 35 U.S.C. §103(a) have been overcome. New

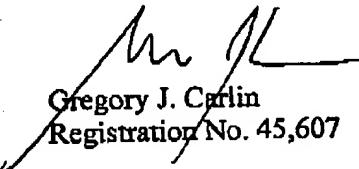
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It is not believed that extensions of time or fees for net addition of claims are required, beyond those that may otherwise be provided for in documents accompanying this paper. However, in the event that additional extensions of time are necessary to allow consideration of this paper, such extensions are hereby petitioned under 37 CFR § 1.136(a), and any fee required therefore (including fees for net addition of claims) is hereby authorized to be charged to Deposit Account No. 16-0605.

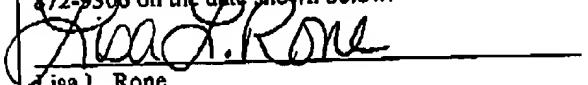
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